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FM AMEMBASSY PORT AU PRINCE
TO RUEHC/SECSTATE WASHDC PRIORITY 3642
INFO RUEHZH/HAITI COLLECTIVE PRIORITY
RUEHBR/AMEMBASSY BRASILIA PRIORITY 1145
RUEHSA/AMEMBASSY PRETORIA PRIORITY 0987
RUEHQU/AMCONSUL QUEBEC PRIORITY 0526
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

UNCLAS SECTION 01 OF 03 PORT AU PRINCE 001376

SIPDIS

SIPDIS

STATE FOR WHA/CAR
EB/IFD
S/CRS
SOUTHCOM ALSO FOR POLAD
STATE PASS TO USAID FOR LAC/CAR
INR/IAA (BEN-YEHUDA)
COMMERCE FOR SCOTT SMITH
TREASURY FOR JEFFERY LEVINE
WHA/EX PLEASE PASS USOAS

E.O. 12958: N/A
TAGS: [ECON](#) [EAID](#) [PGOV](#) [PREL](#) [HA](#)
SUBJECT: HAITI: DONORS REAFFIRM COMMITMENT TO HAITI AT JULY
25 CONFERENCE

REF: PAP 1267

¶1. Summary: The Haitian Government (GOH) hosted a Donors' Conference July 25 in Port-au-Prince that resulted in international commitments totaling USD 750 million over the next fifteen months (July 2006 to September 30, 2007). The GOH compiled a "pie in the sky" budget for this time frame of USD 1.8 billion, but its actual request to the donor community was USD 540 million, which the donors exceeded. The largest donors, in priority order, are the U.S. (USD 210 million), the Inter-American Development Bank (IDB, USD 150 million), Canada (USD 127 million), the World Bank (WB, USD 61 million), the European Commission (EC, USD 58 million), France (USD 28 million), and Spain (USD 25 million). Based on the pledges, the International Monetary Fund (IMF) predicts the financing gap for fiscal year 2007 may drop to USD 14 million from initial IMF assessments of USD 45 to 60 million. (Note: This amount is the lowest of all predictions. Other estimates are closer to USD 35 to 40 million. End note.) The financing gap for this year remains at USD 18.5 million, because donors made no additional pledges, per the IMF. (Note: Including USG budget support of USD 7 million, the budget gap for this year could drop to USD 12.5 million. End note.) The GOH asserted its role in defining its priorities and asked that donors align their aid with GOH objectives and in harmony with each other. Presenting its Pledging Conference Document, Minister of Planning Jean-Max Bellerive explained that the GOH's goals are to modernize the state and generate wealth through private investment. Finance Minister Daniel Dorsainvil explained, in general terms, the GOH's longer term objectives and added that the GOH expects four percent growth for calendar year 2007 and an inflation rate of ten percent. Dorsainvil also called for aid to be predictable, country-oriented and in support of the budget. At the Conference, donors supported GOH assertiveness, but remained wary of direct budget support. The follow-up conference will be held in Madrid on November 20, 2006. End Summary.

Donors Pledge USD 750 million through September 2007
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¶2. The GOH's Pledging Conference Document proposed a budget

of USD 1.8 billion through the end of September 2007, which the GOH described as an ideal figure. The actual request presented to the donors was the more realistic sum of USD 540 million, which the donor community exceeded with a total commitment of over USD 750 million for a fifteen month period from July 2006 to September 30, 2007. The U.S. is the largest donor with USD 210 million. Other donors, in priority order, are the IDB (USD 150 million), Canada (USD 127 million), the World Bank (USD 61 million), the EC (USD 58 million), France (USD 28 million), and Spain (USD 25 million).

¶3. Other major donors include the IMF (USD 23 million), the Caribbean Development Bank (USD 11.5 million), the International Fund for Agricultural Development (USD 13 million); Norway (USD 12 million, subject to parliamentary approval), and Japan and Taiwan (USD 10 million each).

Highlights of the Pledging Session

¶4. The following highlights comments from the pledging session:

-- Speaking for the U.S., USAID Assistant Administrator, Adolfo Franco, pledged USD 210 million to be disbursed in the coming fiscal year, which includes USD 10 million in budget support. Franco said insecurity hinders Haiti's development and promised continued USG support of MINUSTAH.

-- IDB President, Luis Moreno, promised continued support with garbage collection, education, electricity and infrastructure. In addition, the IDB will work with the GOH in its efforts to obtain debt relief. He pledged USD 150

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million through September 2007: USD 71 million for economic governance, 49 million for economic recovery, and 30 million for access to basic services.

-- Robert Greenhill, President of the Canadian Agency for International Development, pledged CAD 520 million (or USD 127 million for July 2006 through September 2007) over the next five years to contribute to projects in the areas of democracy, social progress and economic governance.

-- World Bank Caribbean Director Caroline Anstey encouraged the international community to work in partnership with Haiti to ensure an improvement in the security situation. She promised to disburse USD 66 million in arrears from the WB's 2004 pledge and an additional USD 61 million through September 2007 in budget support for education and community driven projects, subject to board approval.

-- The European Commission reaffirmed USD 58 million for the extension of the Interim Cooperation Framework (ICF) through September 2007 and said it would commit an additional USD 291 million in new money for the five year period from 2008 - 2013.

IMF Estimates USD 14 million Financing Gap for 2007

¶5. According to the IMF, Haiti could receive budget support for as much as USD 97.5 million for fiscal year 2007, leaving a financing gap of USD 14 million. (Note: According to the Ministry of Planning, the budget gap for fiscal year 2007 is USD 35 million. Other estimates are closer to USD 40 million. The IMF figure includes a HIPC grant of USD 14.2 million, described by the IMF as "very preliminary." End note.) In order for the Poverty Reduction and Growth Facility (PRGF) to move forward this October, this gap must be closed. The IMF will continue to work with the GOH to prepare for the PRGF, and to find additional budget support.

¶6. Donors did not make pledges to cover this year's financing gap; it remains at an estimated USD 18.5 million,

per the IMF using GOH calculations. (Note: Including a USG budget support of USD 7 million, this figure would drop to USD 12.5 million.) In the final Conference Document, the GOH calls for salary arrears for former state employees to paid by the end of September 2006, with the highest costing estimates at 700 million gourdes (about USD 17.9 million). The Document explains this broadly as an increase in social costs. Per ref, in the weeks leading up to the Donors' Conference, and prior to the circulation of the final Document, the IMF estimated this year's financing gap to be much lower than GOH expectations. The release of the document with costs for salary arrears possibly explains the discrepancy between the GOH and IMF. Post will send additional reporting as the GOH gives more details.

GOH Conference Leadership -- Asserting its Role in Haiti's Development
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¶7. Throughout the Conference, the GOH asserted its role in defining its priorities and asked that donors align their aid with GOH objectives and in harmony with each other. In his opening statement, President Rene Preval stated clearly that his government will fight corruption, insecurity and tax evasion, the latter in an attempt to increase fiscal revenues and move the country from a state of assistance toward economic and social development. Prime Minister Jacques Edouard Alexis asked the donors to explore a new kind of cooperation with Haiti. He called on the donors to be flexible and allow for integration into the National Development Plan. In return, he promised a transparent dialogue with the donor community and more transparent tracking of donor resources implemented through NGOs, and said he hoped to reduce delays in project execution. Alexis also said the state would be willing to establish

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public-private partnerships.

¶8. Presenting the Pledging Conference Document, Minister of Planning Jean-Max Bellerive explained that the GOH's goals are to modernize the state and generate wealth through private investment. He identified safety and public security as the most important pre-conditions to the success of the proposed government plan.

¶9. Minister of Finance Daniel Dorsainvil prefaced his elaboration of the Document's objectives by providing some compelling statistics on poverty in Haiti: 76 percent of the population lives below the poverty line, and 56 percent live on an average of 42 cents per day. Poverty in Haiti is three times higher than the average for the Caribbean. Given these statistics, the Conference Document has three concrete objectives: (1) in 25 years, Haiti should no longer be a Least Developed Country; (2) in 10 years the Haitian economy should be the most dynamic in the region; and (3) in 5 years, at the end of this government's tenure in office, Haiti should replenish its stock of physical and human capital.

¶10. Dorsainvil added that for calendar year 2007, the GOH envisions a four percent growth rate and an inflation rate of ten percent. Currently, internal revenue stands at nine percent of GDP, which the GOH would like to increase to fifteen percent. Dorsainvil also called for aid to be predictable, country-oriented and in support of the budget.

Reginald Boulos Offers Private Sector Truce
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¶11. President of the Haitian Chamber of Commerce, Reginald Boulos, stressed that this is a new beginning for Haiti. Speaking for the private sector, he welcomed the Preval government's initiative to fight poverty, reduce inequalities and spur economic growth. He refuted the view that the private sector as a group refuses to meet "fiscal obligations" (i.e. pay taxes), and said that the private

sector sees the government as rife with inefficiency and corruption. Boulos offered a truce: he said the private sector wants to help Haiti develop through sound investment and the creation of long-term employment. However, this will not be possible without security, justice and respect for private property.

Next Steps

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¶12. The next Ministerial level meeting on Haiti will be held in Madrid on November 20, 2006. Further information on GOH preparations and expectations will be provided as available.

¶13. Comment: Throughout the conference, the GOH called for a leading role in Haiti's development; in return the GOH promised responsibility and transparency. Donors were receptive to the assertiveness of GOH officials, however, they remained wary of direct budget support and unclear channels for aid. The GOH's call to donors that aid align with national priorities should be paired with detailed explanations, which are lacking, for instance, in the last-minute insertion into this year's budget of payments for salary arrears. Post will continue to follow-up with relevant ministries to provide (and encourage) clarity on spending priorities.

SANDERSON